

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

1700 K STREET
SACRAMENTO, CA 95814-4037
TDD (916) 445-1942
(916) 323-2061



DATE: February 22, 2002 ACLA Letter No. 02-05

TO: All County Lead Agencies (ACLA)

SUBJECT: SUBSTANCE ABUSE AND CRIME PREVENTION ACT OF 2000
(SACPA) - AUDITS OF COUNTY EXPENDITURES

REFERENCE: Health and Safety Code Section 11999.12
Title 9, California Code of Regulations (CCR), Section 9540(a)

The purpose of this letter is to provide information about the focus of audits conducted concerning the Substance Abuse and Crime Prevention Act of 2000 (SACPA).

The Department of Alcohol and Drug Programs (ADP), Audit Services Branch (ASB), has begun performing audits of SACPA expenditures by counties. These audits are required per Health and Safety Code Section 11999.12 and Title 9, CCR, Section 9540(a). These sections require ADP to audit county expenditures annually.

Per Title 9, CCR Section 9540(b), ADP is required to perform these audits in accordance with generally accepted governmental auditing standards (GAGAS) as described in "Government Auditing Standards (1994 Revision)" as promulgated by the United States General Accounting Office by the Comptroller General of the United States.

The types of audits being performed by ADP's Audit Services Branch (ASB) are considered financial related audits. GAGAS Section 2.4(b) states: "Financial related audits include determining whether (1) financial information is presented in accordance with established or stated criteria, (2) the entity has adhered to specific financial compliance requirements, or (3) the entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve the control objectives."

In addition, Section 2.5 describes examples of the types of financial related audits that auditors may perform. Per Section 2.5, "Financial related audits may, for example, include audits of the following items:



DO YOUR PART TO HELP CALIFORNIA SAVE ENERGY
For energy saving tips, visit the California Home Page at www.ca.gov

- a. Segments of financial statements; financial information (for example, statement of revenue and expenses, statement of cash receipts and disbursements, statement of fixed assets); budget requests; and variances between estimated and actual financial performance.
- b. Internal controls over compliance with laws and regulations, such as those governing the (1) bidding for, (2) accounting for, and (3) reporting on grants and contracts (including proposals, amounts billed, amounts due on termination claims, and so forth).
- c. Internal controls over financial reporting and/or safeguarding assets, including controls using computer-based systems.
- d. Compliance with laws and regulations and allegations of fraud.”

Additional financial related auditing requirements are found in GAGAS Section 4.39.

The above referenced sections are provided to explain the framework for our audits for the benefit of county management, public providers, and private providers.

Based on the above requirements, ASB has identified the following risks for Fiscal Year 2000-01 expenditures:

| | RISK POINTS | OBJECTIVES |
|----|---|---|
| 1. | Risk that the county has not established a trust fund as required by Title 9, Code of California Regulations (CCR), Section 9517. | To determine whether the County has established a separate trust fund. |
| 2. | Risk that the county may not properly allocate interest to the trust fund as required by Title 9, CCR, Section 9517(b). | To determine whether the county has properly recorded interest income to the county trust fund. |
| 3. | Risk that the county has not expended funds in compliance with Title 9, CCR, Chapter 2.5. | To determine if expenditures are legal, proper, and adequately supported by source documents. |

| | RISK POINTS | OBJECTIVES |
|----|--|--|
| 4. | Risk that funds were expended for services prior to July 1, 2001, as required by Title 9, CCR, Section 9530(d). | To determine that funds for services to clients were not expended prior to July 1, 2001. |
| 5. | Risk that county's contracts with providers for Fiscal Year 2001-02 do not ensure compliance with Title 9, CCR, Chapter 2.5. | To determine if the county's contract boilerplate has incorporated the compliance elements as specified. |
| 6. | Risk that the county has incorrectly reported expenses and/or other revenue on the Financial Status Report. Title 9, CCR, Section 9535(a). | To determine that the county has correctly reported expenses and other revenue on the Financial Status Report. |

These risk points and objectives describe ASB's intentions at this time. However, they do not preclude inquiries or findings in other areas.

If you have any questions concerning the audit process, please contact Gary Bellamy, Audit Manager, at (916) 322-4834 or Michael C. Chmielewski, Assistant Audit Manager, at (916) 324-2038.

Sincerely,

[Original Signed By]

ANN HORN
Deputy Director
Division of Administration